

**Department of
Motor Vehicles:
Collegiate License Plate Revenues
Have Been Overallocated**

November 1995
95020

Summary

The California Vehicle Code, Section 5024, requires that we audit all revenues deposited in and expenditures from the California Collegiate License Plate Fund (fund). The Department of Motor Vehicles (DMV) reported revenues, totaling approximately \$53,700, for the fund for the period October 21, 1993, through June 30, 1995. As the only participant in the collegiate license plate program (program), the University of California, Los Angeles Alumni Association (association) received approximately \$52,800 from the fund to be used for need-based scholarships. However, the DMV incorrectly recorded an estimated \$15,500 as revenue in the fund that should have been allocated to the Resources License Plate Fund, the California Environmental License Plate Fund, and to the DMV for administrative charges.

Background

The California Vehicle Code, Section 5024, authorizes the DMV to issue special license plates commemorating California public or private postsecondary educational institutions. These special collegiate license plates display the educational institution's motto, logotype or other symbol, as designed by the participating institution and approved by the DMV. The fees most commonly collected for collegiate license plates are \$50 for the issuance and \$40 for each renewal. After the DMV administrative fees are deducted, one-half of the proceeds are to be used for natural resource purposes and one-half are deposited in the fund to be used for need-based scholarships at the participating educational institutions. Proponents see the program as a way to provide funds for college students while allowing people to display their association with a particular educational institution. However, the DMV has issued only 1830 special license plates with the UCLA logo from June 1993 through June 30, 1995, and as of October 10, 1995, the association is the only educational institution participating in the program.

In December 1993, we reported no revenues or expenditures had been accounted for in the fund. In

addition, we reported the DMV had not followed the law when it issued collegiate license plates before the association had collected and submitted the required 5,000 applications. In order to assist the association's marketing efforts and ensure that it would recover its start-up costs, the DMV waived the requirement for 5,000 applications and instead accepted an advance payment from the association, totaling \$149,500, to pay for the DMV's start-up costs for the special license plates. As allowed by its agreement with the DMV, the association recovered approximately \$133,400 of the advance by retaining its share of application fees before submitting the applications to the DMV. The \$133,400 amount retained by the association was not recorded by the DMV as revenue in the fund. In 1994, the Legislature amended the Vehicle Code prohibiting the DMV from accepting advance payments in lieu of the minimum 5,000 applications.

Scope and Methodology

The California Vehicle Code, Section 5024, requires the Office of the Auditor General to audit all revenues deposited in and expenditures from the fund on December 1, 1993, and December 1, 1995. The Bureau of State Audits, created in California Government Code, Section 8543, is now responsible for conducting audits that are directed by statute and formerly conducted by the Office of the Auditor General.

To determine whether the DMV deposited revenues in the fund in compliance with the law, we reviewed the Vehicle Code and identified authorized fees and the distribution of those fees. Further, we reviewed a sample of collegiate license plate fee transactions to determine whether the DMV electronic data processing system properly allocated the revenue to the appropriate funds. Finally, we identified collegiate license plate revenues recorded by the DMV and compared them to amounts the DMV transferred to the fund.

To determine whether the State Controller's Office (SCO) expenditures from the fund were in compliance with the law, we reviewed the Vehicle Code and identified the required distribution of the fees. In addition, we identified

the participants in the program and reviewed agreements between the participants, the DMV, and the SCO. Finally, we reviewed the disbursements from the fund to determine whether the fees were properly distributed to participants and to assess the promptness of the payments.

***The DMV Reported Revenues of
Approximately \$53,700 Deposited In
the Collegiate License Plate Fund***

The DMV recorded revenues, totaling approximately \$53,700, in the fund for the period October 21, 1993, through June 30, 1995. The DMV reported the program generated total revenues of approximately \$133,600 during the same period. As a result of program revenues recorded in the fund, the SCO disbursed approximately \$52,800 to the association to be used for need-based scholarships. The difference between revenues recorded in the fund and disbursements to the association, approximately \$900, is composed of SCO administrative charges and revenue not yet recorded by the SCO at the year's end.

The DMV charges several different fees relating to collegiate license plates. After the DMV administrative fees are deducted, the remaining fees for collegiate license plates are divided evenly between the California Collegiate License Plate Fund and the Resources License Plate Fund. If motorists wish to personalize their collegiate license plates, then the DMV also charges environmental license plate (ELP) fees. The ELP fees are deposited in the California Environmental License Plate Fund.

As the table illustrates, the DMV has over-allocated revenues to the fund, resulting in the under-allocation of revenues to the remaining funds. The table displays program revenues recorded by the DMV and its estimated adjustments to correct the over/under allocations to the funds.

Collegiate License Plate Revenue	DMV Recorded Fees	DMV Estimated Adjustment for Misallocatio n	Total Fees
DMV Administrative Fees	\$ 26,500	\$ 5,400	\$ 31,900
Collegiate License Plate Fund	53,700	(15,500)	38,200
Resources License Plate Fund	31,200	7,000	38,200
Environmental License Plate Fund	22,200	3,100	25,300
Total Revenue	\$133,600	\$ 0	\$133,600

As a result of its misallocation of collegiate license plate fees, the DMV estimates it incorrectly recorded revenues in the fund, totaling approximately \$15,500, that should have been allocated to the Resources License Plate Fund, the California Environmental License Plate Fund, and to the DMV for administrative fees.

Programming changes in the DMV's electronic data processing (EDP) system allowed a portion of the collegiate license plate fees processed from January 1995 through June 1995, to be incorrectly allocated entirely to the fund. Accordingly, until the DMV corrected the programming effective June 20, 1995, no revenues from those transactions were recorded in the Resources License Plate Fund, in the California Environmental License Plate Fund, or as DMV administrative fees. The DMV cannot currently identify the exact amount it over-allocated to the fund until it can develop and implement the necessary EDP programming. However, the DMV has estimated the amount to be \$15,500. Because the SCO has disbursed the revenues recorded in the fund at June 30, 1995, to the association, the association will have to repay the fund when the DMV has identified the actual overpayment.

Recommendations

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The DMV should perform the necessary reconciliations and programming changes to ensure its electronic data processing systems are properly recognizing and recording collegiate license plate revenues. In addition, the Department of Motor Vehicles should identify and arrange to collect the funds incorrectly disbursed to the association.

We conducted this review under the authority vested in the state auditor by Section 8543 of the California Government Code and according to generally accepted governmental auditing standards. We limited our review to those areas specified in the audit scope section of this letter report.

Respectfully submitted,

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State Auditor

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The responses of the Business, Transportation and Housing Agency and the Department of Motor Vehicles are attached to this letter report.
